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C O N F I D E N T I A L QUITO 002182

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TREASURY FOR M.MALLOY

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TAGS: [EFIN](#) [ECON](#) [EAIR](#) [EC](#)
SUBJECT: NEW MINISTER OF ECONOMY LOOKING FOR IDB AND WORLD
BANK FINANCING

REF: A. QUITO 2008
[1](#)B. QUITO 1995
[1](#)C. QUITO 880
[1](#)D. QUITO 520

Classified By: Classified by DCM Jefferson Brown. Reason: 1.4 B and D

[1](#)1. (C) Summary. Reversing its initial reluctance to work with the Washington-based development banks, the Correa Administration is seeking funding from the Inter-American Development Bank for a range of projects. It is also beginning to work with the World Bank. Its contacts with the World Bank have been more cautious than with the IDB, but this still represents a shift following the expulsion of World Bank representative in April. End summary.

[1](#)2. (C) In a September 19 meeting with USAID Director and EconCouns, the Inter-American Development Bank (IDB) and World Bank (WB) representatives in Ecuador described how the Ministry of Economy and Finance is making a concerted effort to line up financing from the IDB and World Bank, including during Finance Minister Ortiz's visit to Washington the first week of September (ref b).

[1](#)3. (C) The acting IDB representative, Alfonso Tique, said that cooperative interaction his bank has had with the Ministry of Economy in the past three or so months far exceeds anything that he has seen in his four years in Ecuador. He said that the IDB is working on two new projects with Ecuador, a potentially large (\$400-500 million) program to reform Petroecuador, and a \$62 million loan for government-owned airline TAME to purchase new planes.

[1](#)4. (C) In addition, the GOE is interested in proceeding with IDB education and water/sanitation programs that had been initiated with the prior government but had been on hold under the Correa administration. The GOE would also like the IDB to disburse a \$50 million competitiveness program loan that was approved in 2006, but bureaucratic glitches at the Ministry of Economy have held up disbursement. Tique said that the GOE has also expressed interest in IDB support of hydroelectric projects, but the IDB has not yet explored that sector with the GOE.

[1](#)5. (C) The acting WB representative, Pilar Larreamendy, said that when Ortiz met with the World Bank during his September visit to Washington, he confirmed that Ecuador is still interested education, health and rural roads projects that had been approved in 2006 but have not been disbursed. She said that in the absence of a GOE statement of continued

interest, the projects would have expired in the near future. She said that maybe \$15-20 million from these projects would be disbursed in 2007.

16. (C) Jorge Guzman, the IMF resident representative, said that this enhanced cooperation with the IDB and WB represents a policy shift on the part of the GOE, and reflects a government that is spending money and looking for the means to finance a pending budget gap. He added that if the money is well-spent it would be a good investment, given Ecuador's need to reverse Petroecuador's decline, improve the transportation and electric infrastructure, and improve education and health services. He argued that it is the role of the development banks to help the GOE spend wisely.

17. (C) The participants agreed that Finance Minister Ortiz was the driving force behind the closer ties with the IDB and WB. The IDB representative said that closer cooperation began while former Finance Minister Patino was in office, but believed that even then Ortiz, as Vice Minister for Finance, was pushing the closer cooperation. The participants assumed that President Correa had approved the strategy that most likely had been prepared by Ortiz.

18. (C) Comment. As early as March the Correa Administration had already begun to show that it was walking back from its early harsh criticism of multilateral development banks, and had begun to express interest in working with the IDB, although at the time was sending mixed signals on how it might proceed (ref d). What has changed is that the GOE appears to have clear guidance to work constructively not only with the IDB but also the WB, which had seen itself on the outs after Correa first criticized and then expelled the World Bank representative (ref c). The Correa Administration

is also willing to seek multilateral development bank support for social projects, after initially asserting that it would fund health and education with only domestic resources. The need to finance next year's projected budget deficit (ref a) no doubt helped focus the GOE's efforts to shore up its relations with the IDB and World Bank. This marks another clear sign that pragmatic, moderate policies may continue to hold their own even amid the periodic examples of more fiery public posturing.

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